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Insights on Small Firms in Fiji

SUVA, FIJI



PARTNERS



Australian
National
University



Center for
Inclusive Growth



UNITED NATIONS
ESCAP

Economic and Social Commission for Asia and the Pacific

fai



Financial
Access Initiative
NYU WAGNER



L-IFT

Low-Income Financial Transformation

OVERVIEW OF SMALL FIRM DIARIES

FINANCIAL DIARIES METHODOLOGY

Weekly cash flow data for a year combined with extensive qualitative and quantitative surveys

FOCUS ON 3 SECTORS WITH GROWTH POTENTIAL

Light Manufacturing, Agri-Processing, Services

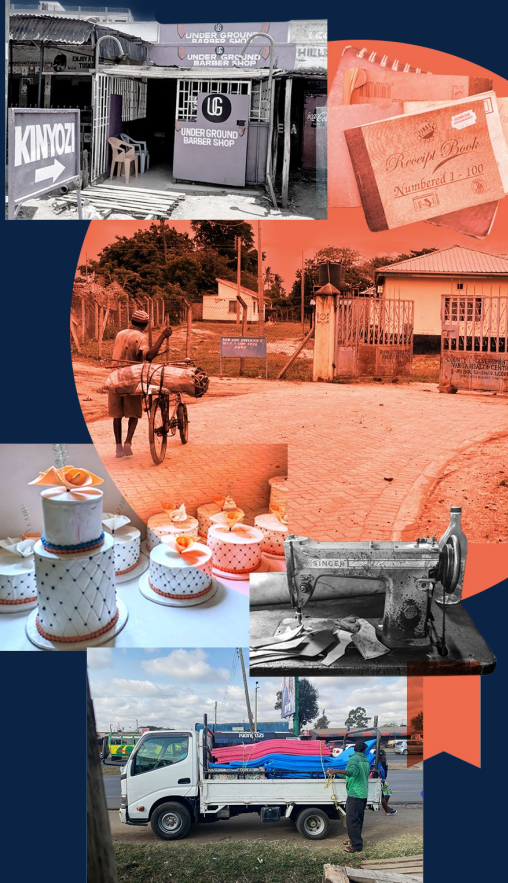
GLOBAL: 7 countries

SMALL FIRMS: 1–20 non-family employees

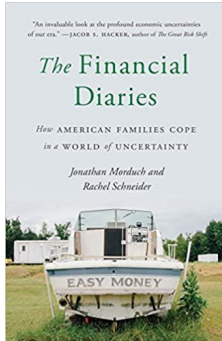
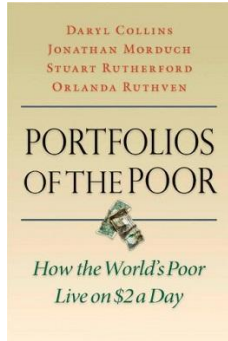
FOCUS ON LOW-INCOME COMMUNITIES

~150 FIRMS PER COUNTRY

~30% WOMEN-LED FIRMS

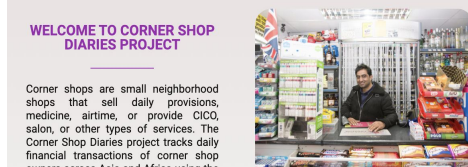


FINANCIAL DIARIES METHODOLOGY

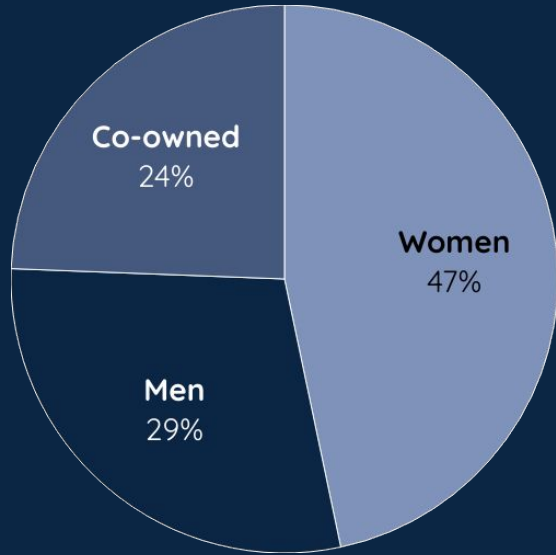


Basic Elements

- **High frequency visits** (weekly) to small firms over 12 months.
- **Quantitative cash flow** data
- **Qualitative interviews** about choices and decision making with firm owners, employees, and suppliers.
- Allows us to **understand the complexity and volatility** being faced by small firms.



Fiji





SECTORS AND SUBSECTORS

AGRICULTURAL PROCESSING

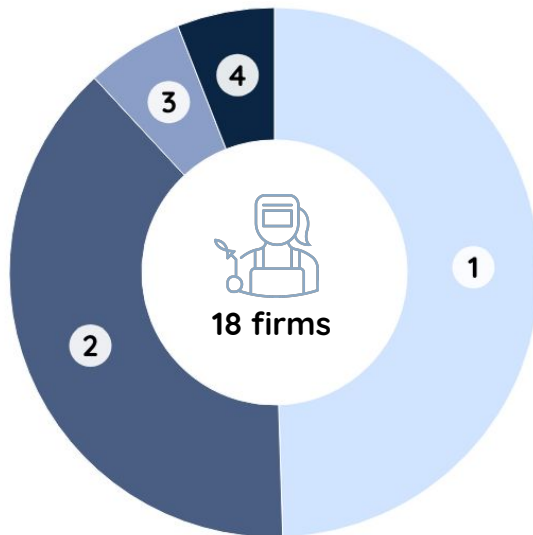
43%



1. Farming (60%)
2. Food preparation (25%)
3. Agricultural inputs production (15%)

LIGHT MANUFACTURING

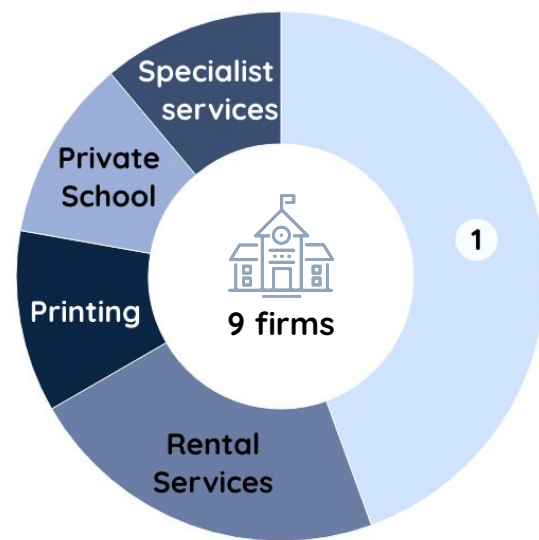
38%




1. Handicrafts production (50%)
2. Garment production/sewing (39%)
3. Construction material production (6%)
4. Light manufacturing (6%)

SERVICES

19%



1. Repair & maintenance businesses (44%)
2. Rental services (22%)
3. Printing schools (11%)
4. Private primary/secondary schools (11%)
5. Specialist services (11%)



Most existing research focuses on firms that are smaller or larger than the firms that SFD studies.

WHO ARE WE STUDYING?

MICROENTERPRISE	SMALL FIRMS	MEDIUM FIRMS
Household enterprises	Firms that have non-family employees but not grown to include professional managers	Firms that have professional managers (e.g. employees whose only job is managing other employees)
0 non-family employees	1–20 non-family employees	20–100 employees
Informal	Mix of Formal and Informal	Formal
Informal financing and/or microcredit	Mix of formal and informal financing arrangements (key question of the study)	Largely have access to formal finance, though depends on context

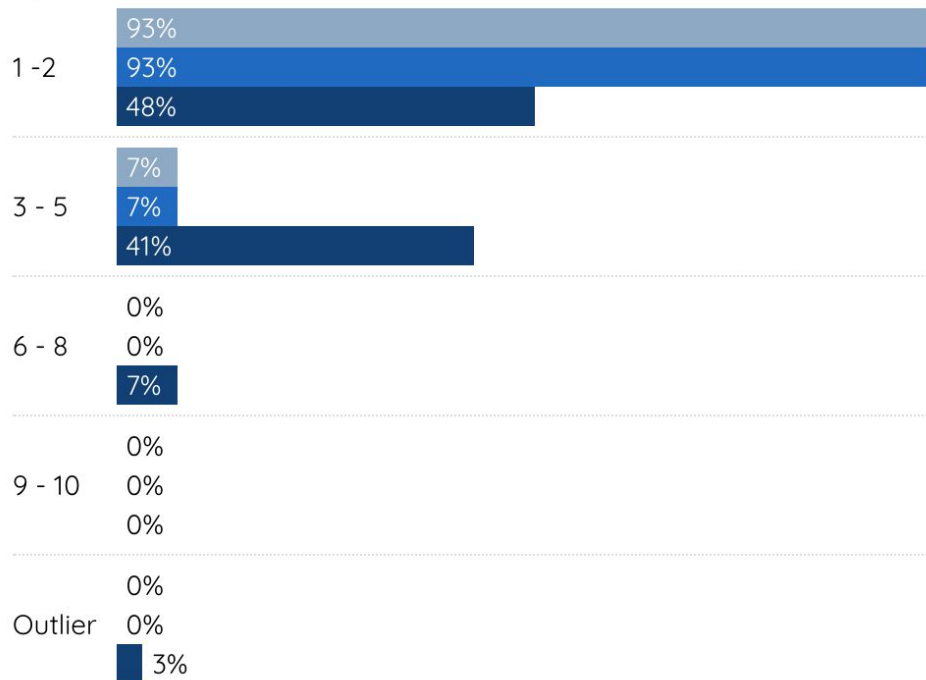


Number of Employees

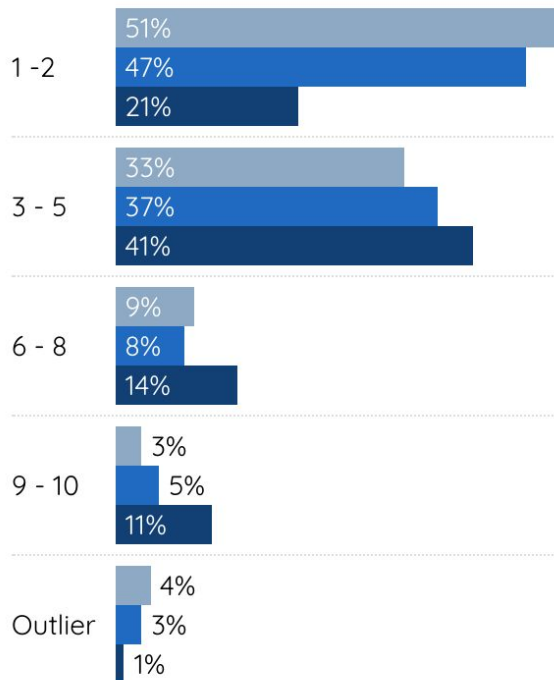
Employee range

Mode by month Median by month Total unique (full year)

Fiji



Indonesia

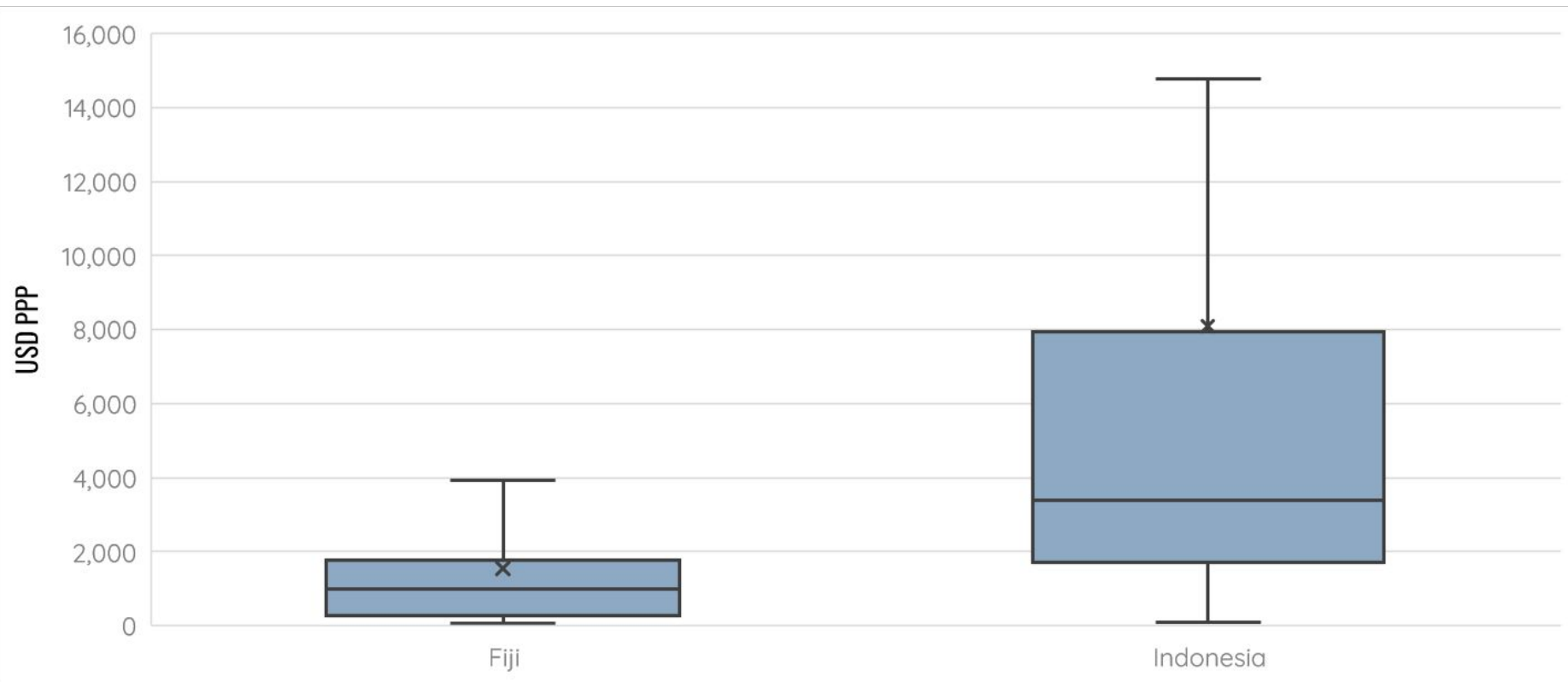


MONTHLY REVENUE

Average
Median

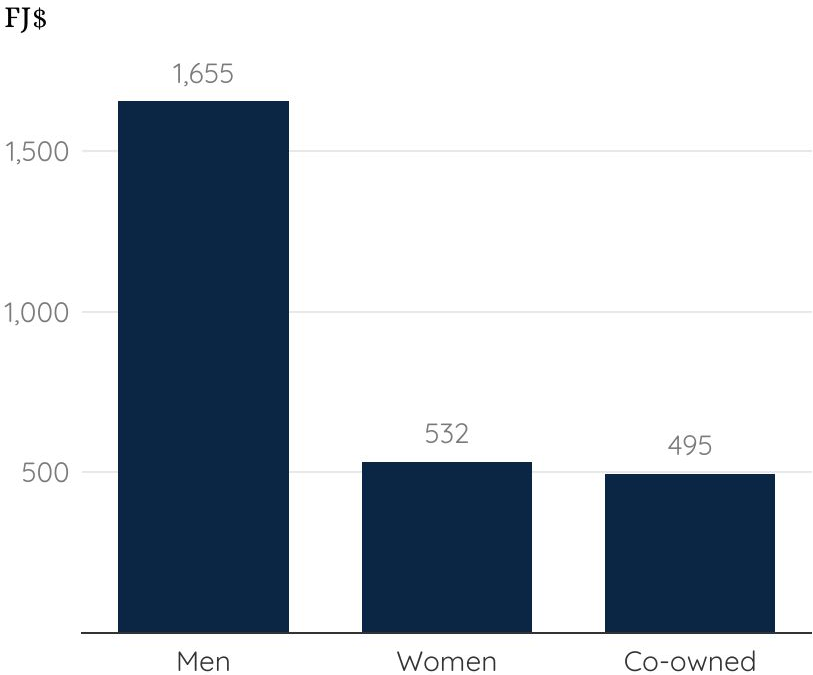
x

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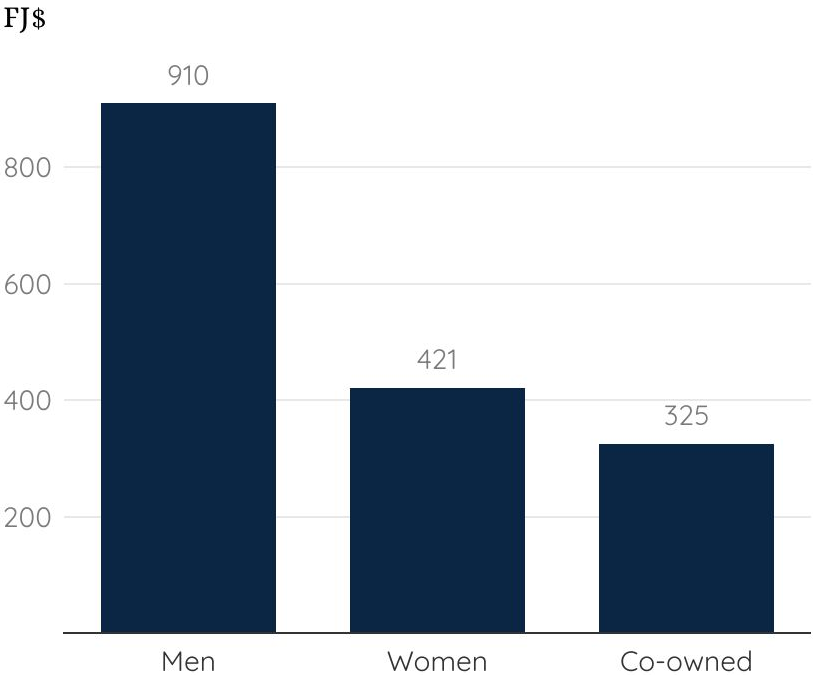


MEDIAN OPERATING MARGIN AND REVENUE

MEDIAN MONTHLY REVENUE

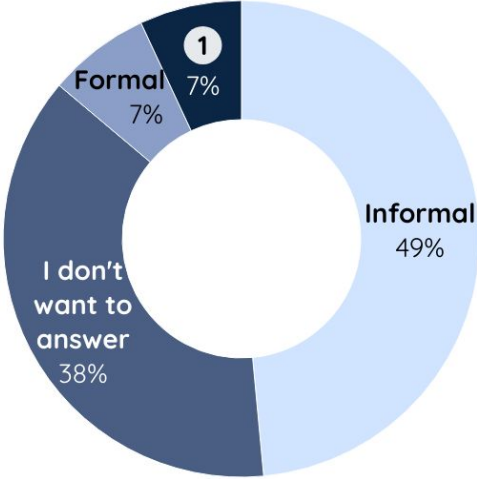


MEDIAN MONTHLY MARGIN



FORMALITY: MAJORITY OF FIRMS IDENTIFY AS INFORMAL

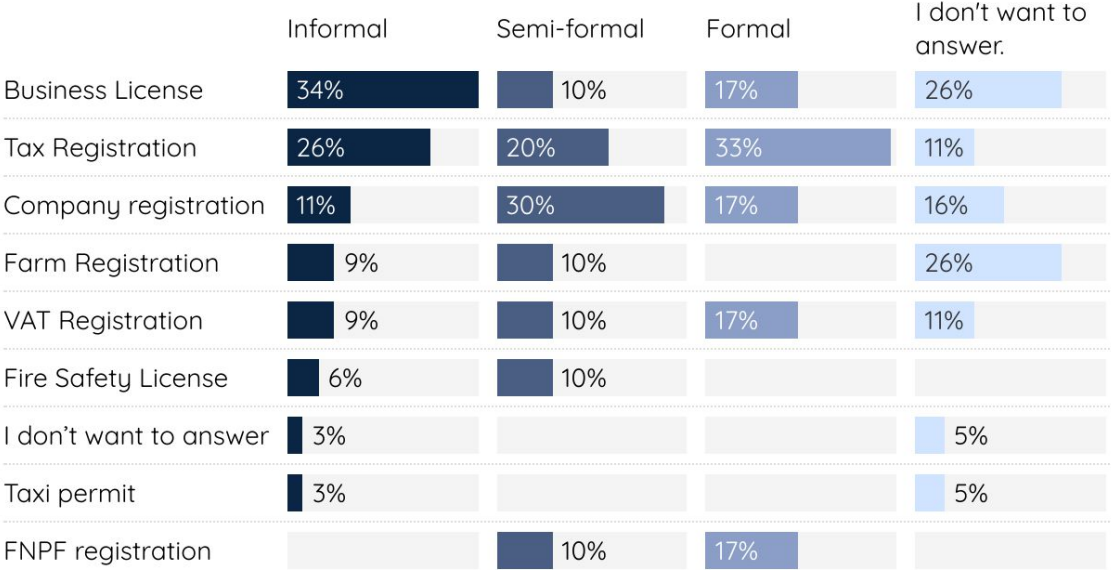
HOW WOULD YOU DESCRIBE YOUR FIRM?



1 Semi-formal

WHICH OF THESE REGISTRATIONS DO YOU HAVE?

% of firms per registration



4 KEY TAKEAWAYS



1

Stability
Entrepreneurs

2

Key challenges

3

Use of Financial
Tools

4

Risk management
strategies

4 KEY TAKEAWAYS



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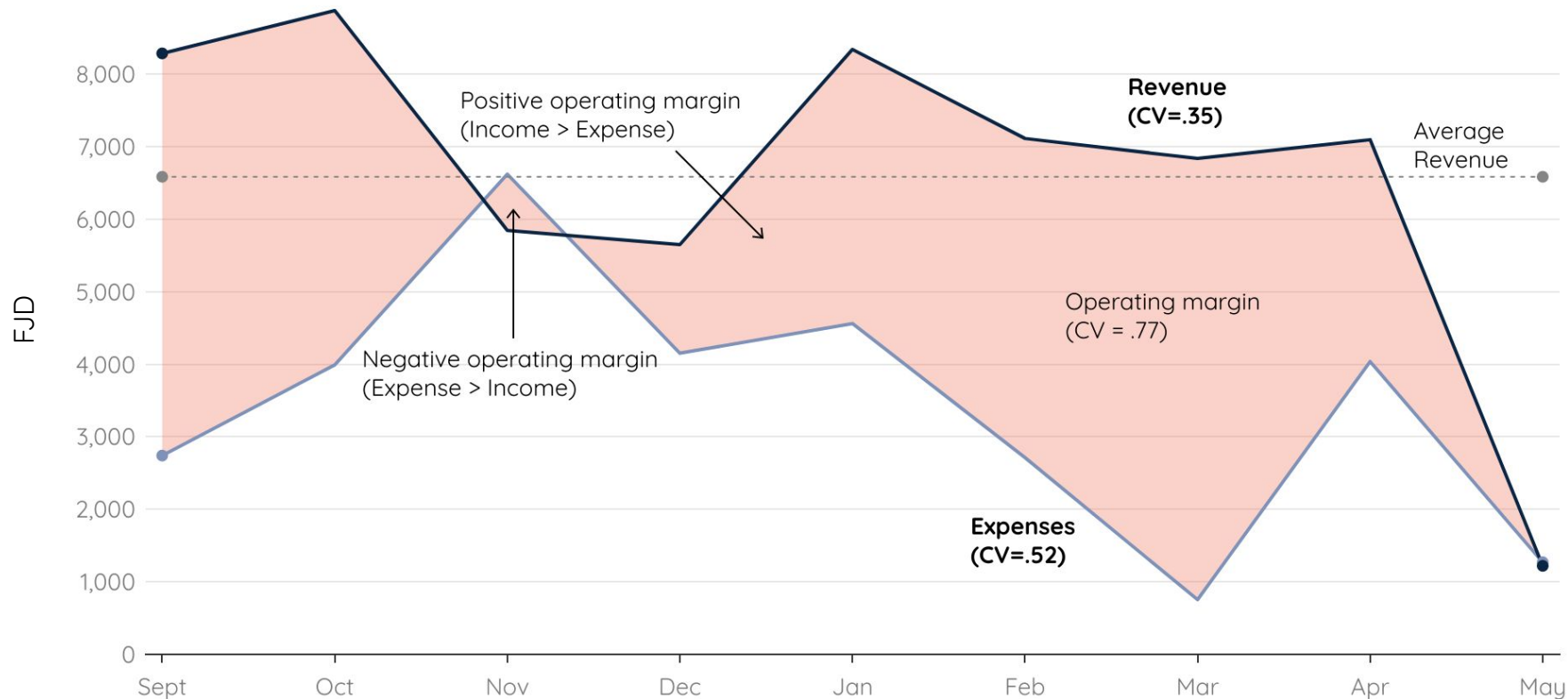
4

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strategies



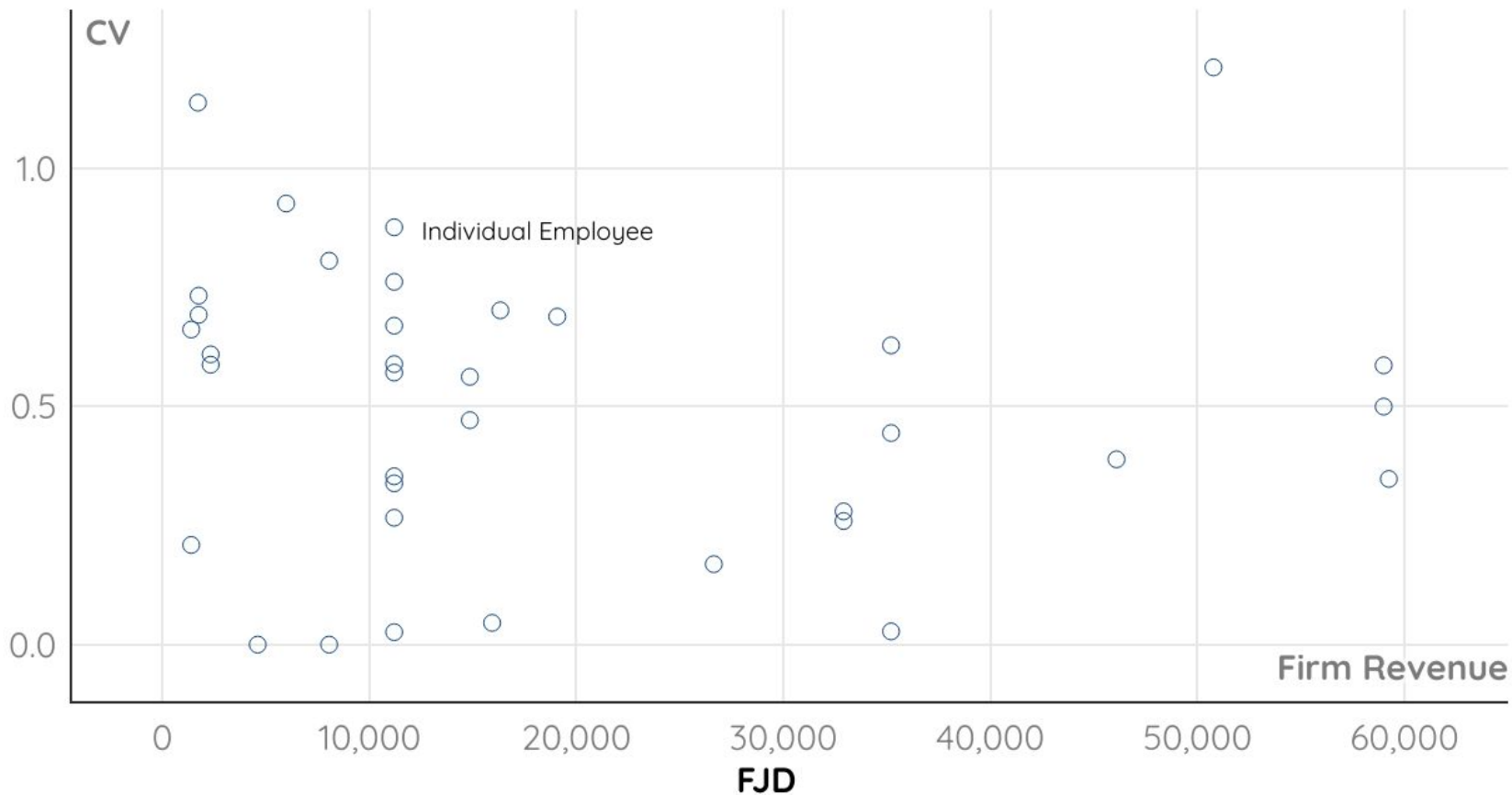
STABILITY ENTREPRENEURS: VOLATILE REVENUE

CASH FLOW FROM A PRINTING FIRM



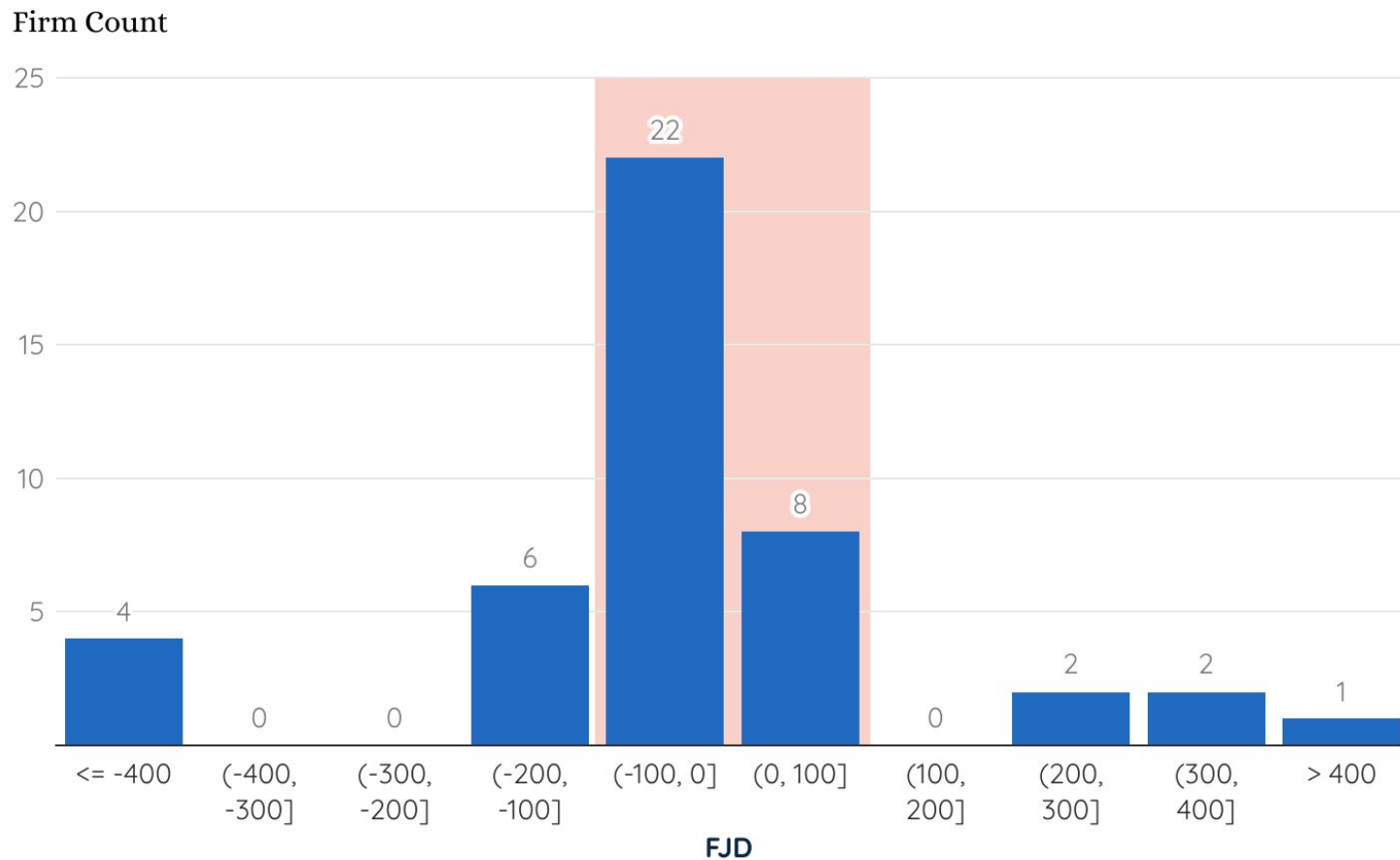


PAYMENT VOLATILITY FOR FIRMS BY MEDIAN MONTHLY REVENUE



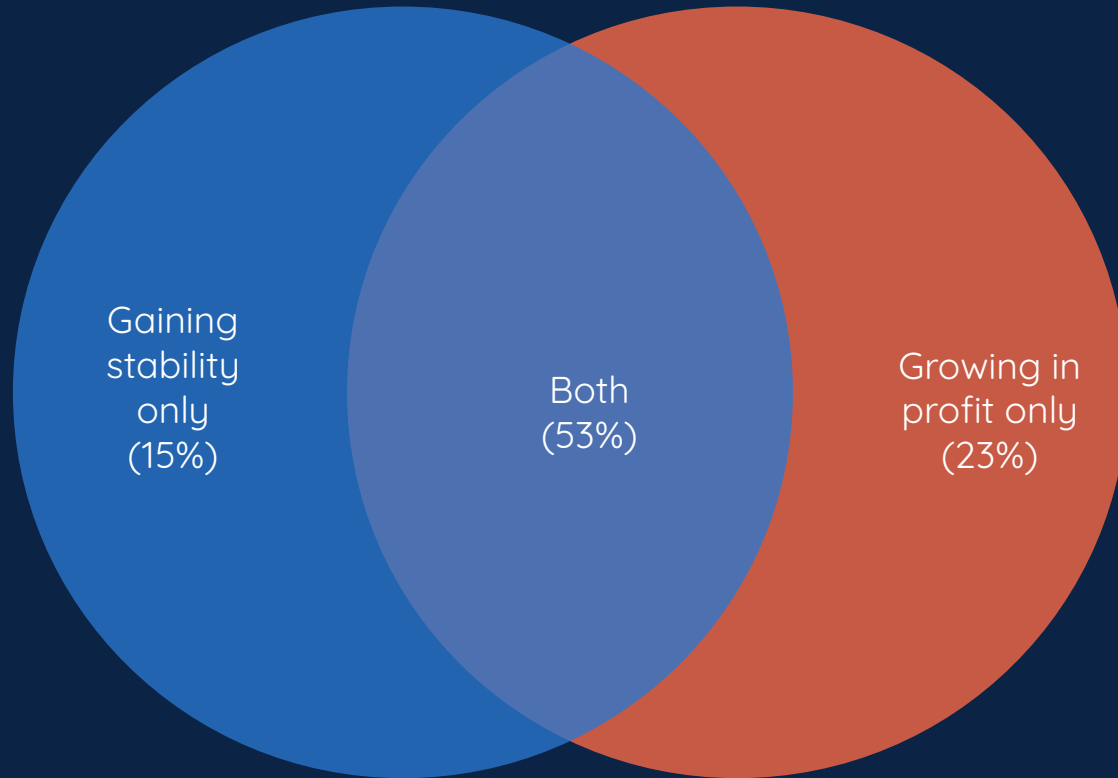


DISTRIBUTION OF FIRMS BY MONTHLY REVENUE GROWTH



What Do You Want Your Business to Look Like in 5 Years?

FIJI



Total n = 47 firms

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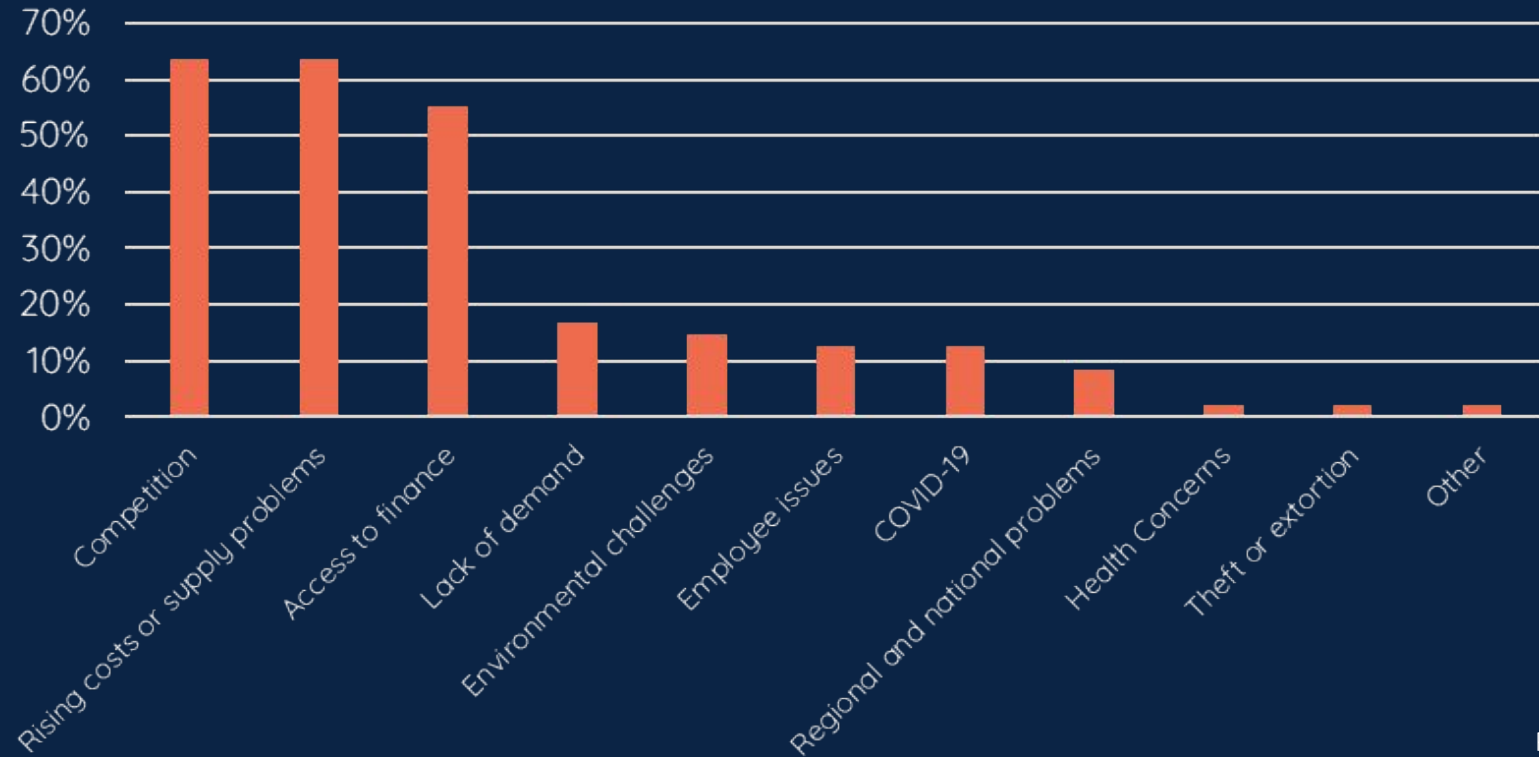
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IN FIJI HALF OF FIRMS CONSIDER FINANCE A SIGNIFICANT BARRIER

What are the main barriers or challenges that keep you from achieving your vision?



Preliminary data



CHALLENGE ONE: COMPETITION

HOW MUCH COMPETITION DOES YOUR FIRM FACE

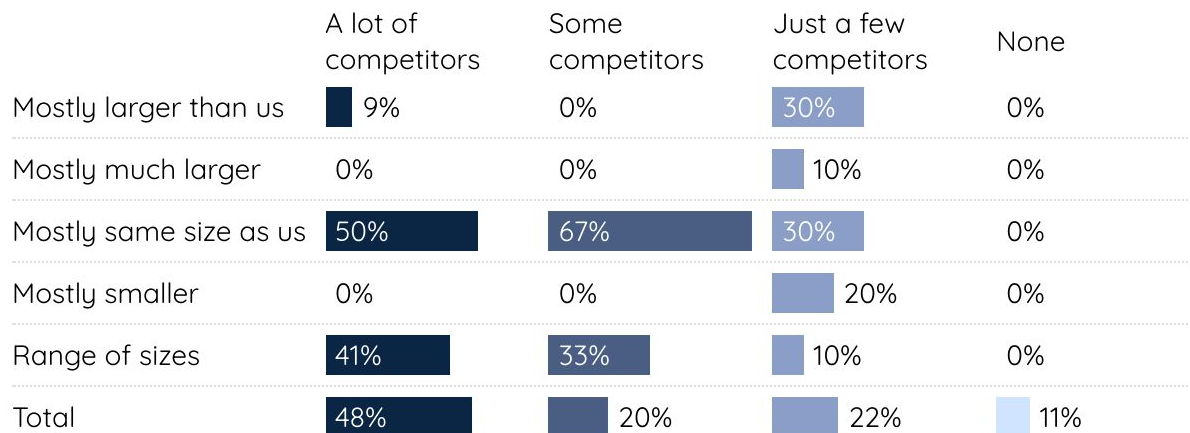


Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries

Price is the most common way to differentiate from competitors (59%), followed by quality (39%).

Only 24% of firms are in an association with competitors. Associations most commonly lend inputs to each other (64% of all associations). Less than half engage in joint selling and 54% do joint production. Only 27% work to set fair minimum prices.



CHALLENGE 2: PRICE INFLATION

WHAT RISKS HAS YOUR FIRM EXPERIENCED IN THE PAST YEAR

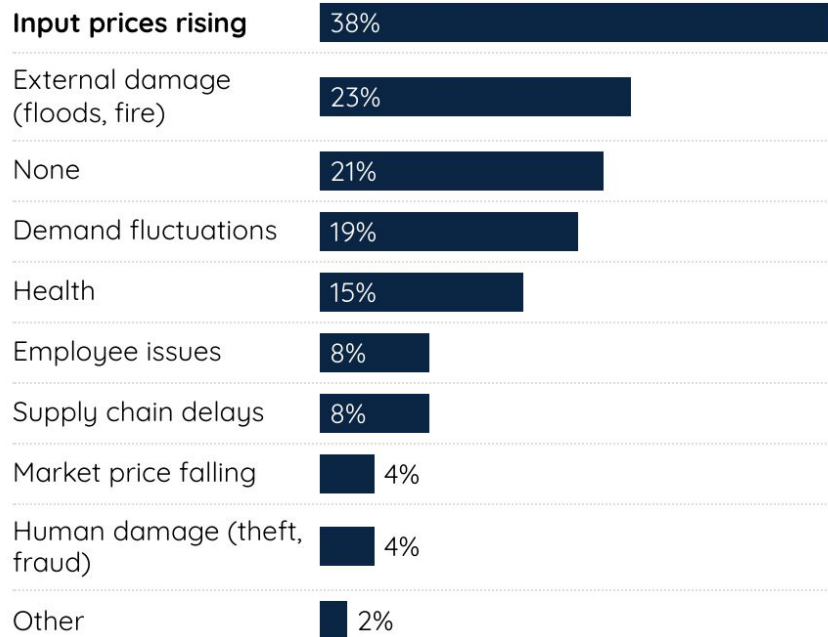


Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries

HOW DID YOU COPE WITH THE RISE IN INPUT PRICES

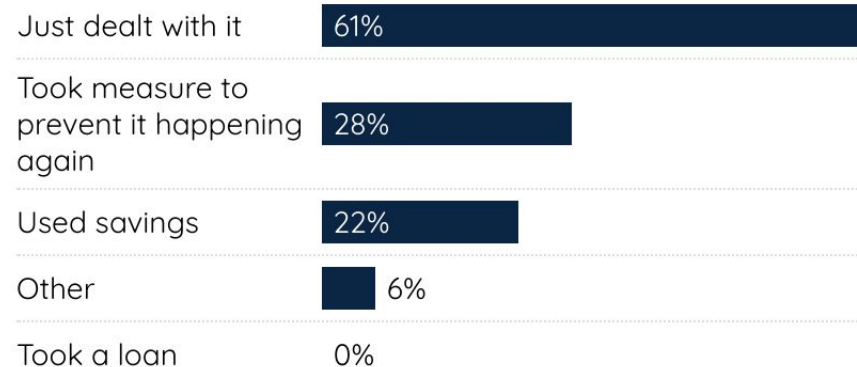


Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries



CHALLENGE THREE: ACCESS TO FINANCE (CREDIT)

Only 27% of the sample reported a loan from any source

LOAN SOURCE: PERCENT OF FIRMS WITH A LOAN REPORTED

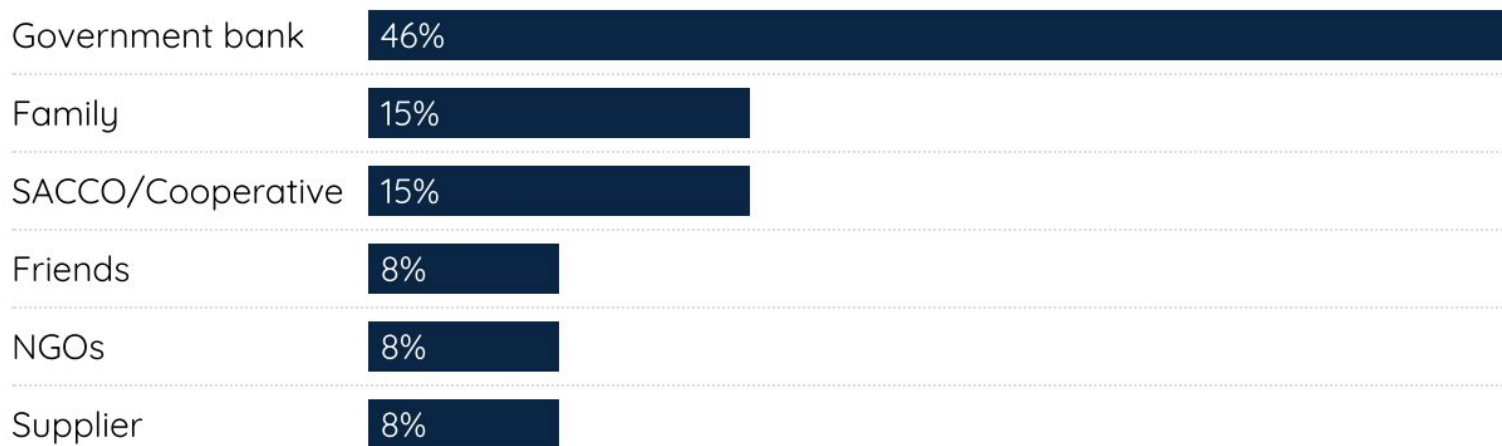


Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries



NEED FOR LOANS AND BARRIERS TO ACCESS

HOW OFTEN DO YOU NEED A LOAN

	Percent of Firms
I constantly need loans	0%
I often need loans	0%
I occasionally need a loan	14%
I rarely need a loan	35%
I never need a loan	51%

Table: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries

BARRIERS TO CREDIT BY NEED FOR CREDIT

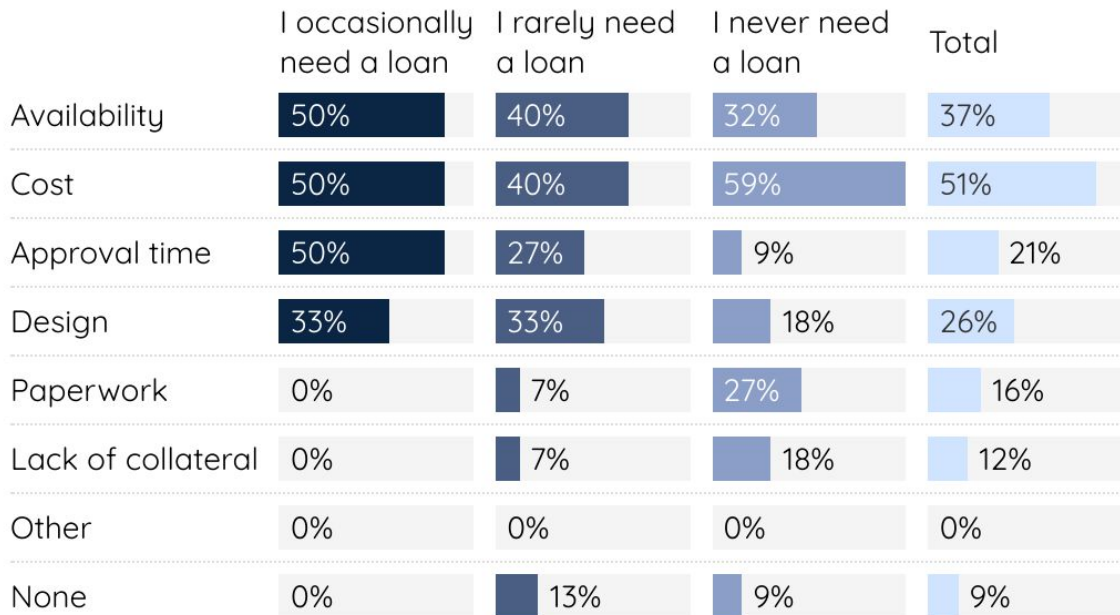


Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries

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ACCESS TO FINANCE: ACCOUNT OWNERSHIP

REPORTED ACCOUNTS FOR THE BUSINESS; PERCENT OF FIRMS

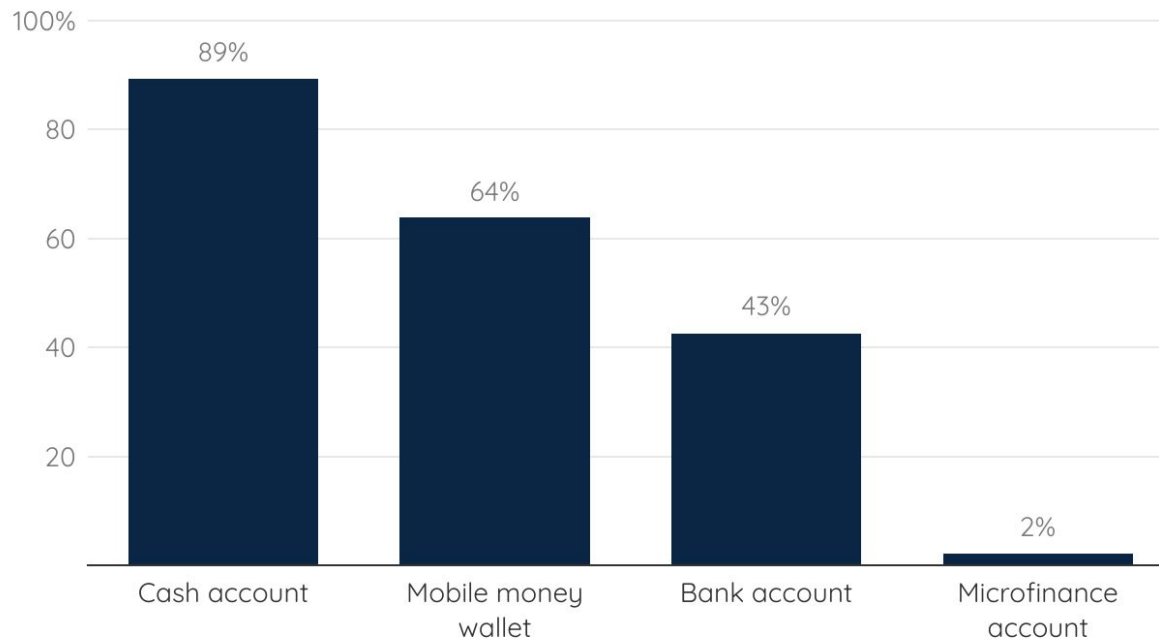


Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries

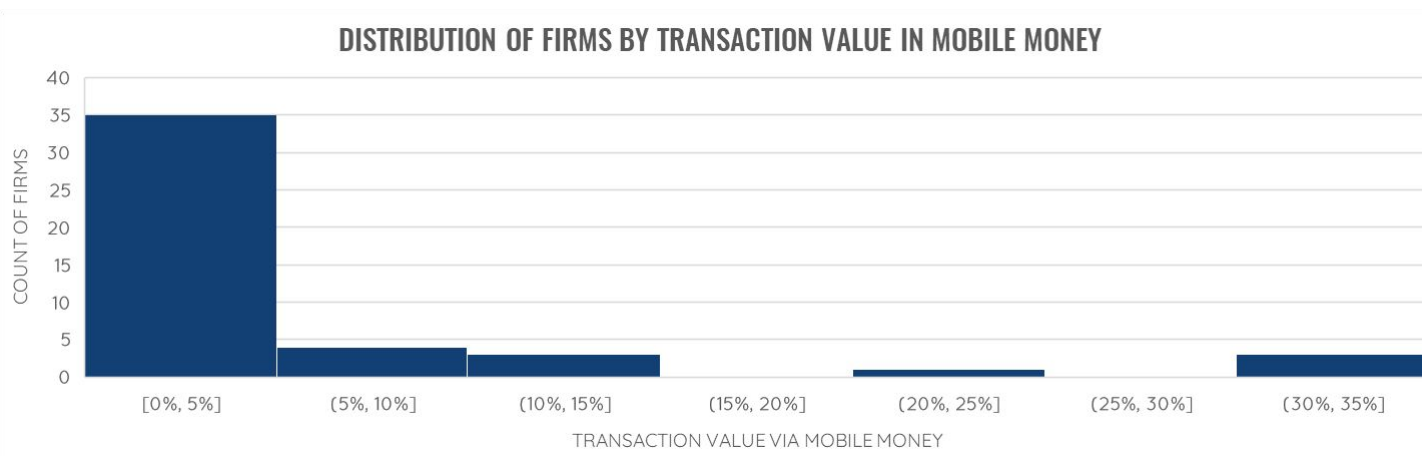


ACCESS TO FINANCE: ACCOUNT USAGE

TRANSACTION VALUE PER TRANSACTION MECHANISM



Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries





DIGITAL FINANCE: CHALLENGES AND CHANGES

CHALLENGES FACED USING DIGITAL FINANCIAL SERVICES

43% of firms reported challenges using digital financial services

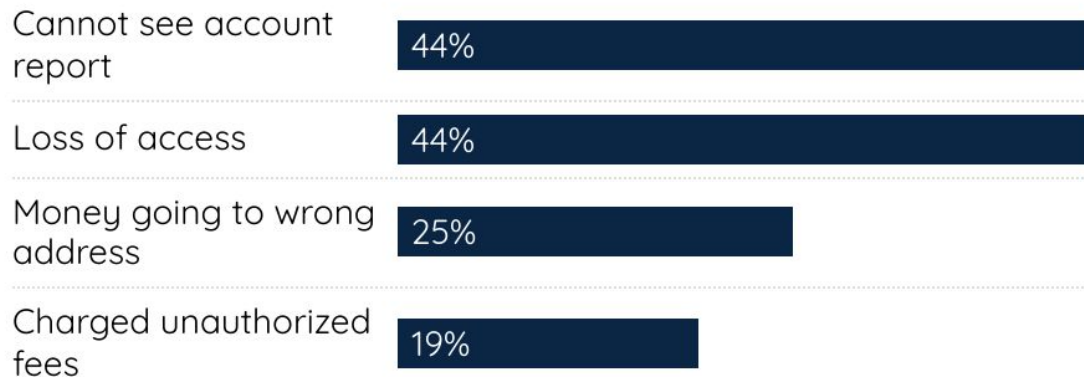


Chart: Financial Access Initiative - NYU Wagner • Source: Small Firm Diaries

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RISK MANAGEMENT APPEAR DIFFERENT IN FIJI

Alternate sources of income:

- 31% of firms rely on other household members income as their primary risk mitigation strategy
- These household members are often overseas migrants

Loan aversion and low risk tolerance:

- 60% of firms avoid taking loans due to penalties and interest rates
- 56% of firms save money in case of risks instead of investing in the business



SUMMARY

1. Firms face high levels of volatility which impacts their ability to grow, achieve stability, and provide high quality jobs
2. Other barriers to stability include competition, inflation, and access to finance
 - i. On competition, firms primary differentiation strategy is undercutting prices
 - ii. On supply cost inflation, firms lack any tools and rely on savings instead of loans
 - iii. On access to finance, less than half of firms have a bank account and all firms operate primarily in cash. Less than a third have a loan, primarily due to the cost and design of capital.
3. Firms are risk averse and rely on household income to manage shocks
 - i. Firms commingle business and household finances